

Michigan Virtual Charter Academy

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Michigan Virtual Charter Academy
Members of the Board of Directors
June 30, 2023

Members of the Board of Directors

Marva Foster	President
Monique Lake	Vice President
Scott Stangeland	Treasurer
Ramone Crowe, Jr.	Secretary
Colin Houston	Director
Aaron Walker	Director

Administration

Randy Rodriguez	Head of School
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Independent Auditors' Report

Management and the Board of Directors
Michigan Virtual Charter Academy
Hazel Park, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund information of Michigan Virtual Charter Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Virtual Charter Academy's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of Michigan Virtual Charter Academy, as of June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Michigan Virtual Charter Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Virtual Charter Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Michigan Virtual Charter Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Michigan Virtual Charter Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2023 on our consideration of Michigan Virtual Charter Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Michigan Virtual Charter Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Michigan Virtual Charter Academy's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 4, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

MICHIGAN VIRTUAL CHARTER ACADEMY

Our discussion and analysis of Michigan Virtual Charter Academy's (the Academy) financial performance provides an overview of the Academy's financial activities for fiscal year ended June 30, 2023. Please read it in conjunction with the Academy's financial statements and accompanying notes to those statements to better understand the Academy's financial performance.

Financial Highlights

Major financial highlights for 2023 include:

- Total net position increased to \$14,725,269 for 2022-2023 from \$10,698,097 in 2021-2022.
- Total revenue for the 2022-2023 year-end was \$35,616,066 up from total revenue for fiscal year 2021-2022 of \$31,839,343. Total revenue includes \$26,847,784 in state funding.
- The 2022-2023 funded enrollment was 2,930 up from funded 2021-2022 enrollment of 2,892.
- The general fund reported an unrestricted fund balance of \$14,712,932 which is an increase of \$4,040,773 from the prior year. The MVCA Board of Trustees assigned \$4,620,000 in July, 2022, for sustainability planning to continue investment in learning loss, classroom size reduction and state and benchmark assessment improvement initiatives. This leaves an unassigned general fund balance of \$10,092,932.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the academy-wide financial statements by providing information about the Academy's most significant fund - the general fund, with all other funds presented in one column as non-major funds.

Basic Financial Statements

The first two statements in the basic financial statements are the academy-wide financial statements. They provide both short and long-term information about the Academy's financial standing. The next statements are Fund Financial Statements. These statements focus on the activities of the individual segments of the Academy's government. These statements are more detailed than the academy-wide financial statements. Immediately following the fund financial statements are the supplemental information that provides details about the Academy's funds. Next are the Notes to the Financial Statements that offer a detailed explanation of the data contained in the financial statements.

Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is like the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Academy's net position- the difference between position and liabilities, as reported in the Statement of Net Position- as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position- as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the governmental activities for the Academy, which encompass all the Academy's services, including instruction, support services and community services. Unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State law. However, the Academy establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The governmental funds of the Academy use the following accounting approach:

Governmental funds - All the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial position that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer

financial resources that can be spent in the near future to finance the Academy’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation report.

The Academy as a Whole

The Statement of Net Position provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy’s net position as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 20,254,651	\$ 16,108,611
Capital assets - net of accumulated depreciation and amortization	<u>135,732</u>	<u>230,970</u>
Total assets	<u>\$ 20,390,383</u>	<u>\$ 16,339,581</u>
Liabilities		
Accounts payable	\$ 2,803,065	\$ 3,901,082
Accrued expenditures	1,975,148	1,071,220
Unearned revenue	763,506	451,813
Long-term liabilities	<u>123,395</u>	<u>217,369</u>
Total liabilities	<u>\$ 5,665,114</u>	<u>\$ 5,641,484</u>
Net Position		
Net investment in capital assets	\$ 12,337	\$ 13,601
Unrestricted	<u>14,712,932</u>	<u>10,684,496</u>
Total net position	<u>\$ 14,725,269</u>	<u>\$ 10,698,097</u>

Current and other assets totaled \$20,390,383 and \$16,339,581 for fiscal years June 30, 2023 and June 30, 2022, respectively, and are comprised almost entirely of cash and amounts due from other governmental units. Unrestricted net position was \$14,712,932 and \$10,684,496 as of June 30, 2023 and June 30, 2022, respectively. Net position related to investment in capital assets was \$12,337 at June 30, 2023 and \$13,601 at June 30, 2022.

The results of this year's operations for the Academy as a whole are reported in the Statement of Activities (Table 2), which shows the change in net position for the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenues		
State sources	\$ 26,847,784	\$ 24,754,993
Operating grants and contributions	8,594,566	7,019,213
Other	<u>173,716</u>	<u>65,137</u>
Total revenue	<u>\$ 35,616,066</u>	<u>\$ 31,839,343</u>
Expenditures		
Instruction	\$ 18,353,393	\$ 17,274,649
Supporting services	12,378,562	11,592,246
Community services	853,445	739,717
Interest	<u>3,494</u>	<u>95,237</u>
Total expenditures	<u>\$ 31,588,894</u>	<u>\$ 29,701,849</u>
Change in net position	\$ 4,027,172	\$ 2,137,494
Fund balance - beginning	<u>10,698,097</u>	<u>8,560,603</u>
Fund balance - ending	<u><u>\$ 14,725,269</u></u>	<u><u>\$ 10,698,097</u></u>

Over 75% in 2023 and 78% in 2022, of our total revenue was from state foundation allowance. Grants and other miscellaneous revenue accounted for 25% in 2023 and 22% in 2022, of total revenue. The costs of all governmental activities are approximately \$1,889,000 more than last year. Total expenditures for the years ended June 30, 2023 and June 30, 2022, were \$31,588,894 and \$29,701,849, respectively.

General Fund Budgetary Highlights

Over the course of the year, the Academy revises its budget as unexpected changes in revenues and expenditures arise. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Capital Assets

As of June 30, 2023, the Academy had invested \$135,732 in furniture, leasehold improvements, computer hardware, and right to use assets. This represents a decrease of \$95,238 from last year. We present more detailed information regarding our capital assets and related lease liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

One of the most important factors affecting the budget is our student count. For the 2023-2024 school year, the Academy has budgeted funded enrollment at 3,053 with a per student allowance of \$9,150.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, actual revenue received depends on the State's ability to collect revenues to fund its appropriation to its various school districts.

The Academy intends to amend its budget based on final per pupil foundation allowance and actual student enrollment as deemed necessary during the year. In addition, the Academy continues to be diligent in its spending and monitors the budget closely.

Contacting the Academy's Management

This financial report is intended to provide all stakeholders with a general overview of the Academy's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Executive Director (Head of School), Michigan Virtual Charter Academy, 1620 East Elza Ave, Hazel Park, MI 48030.

BASIC FINANCIAL STATEMENTS

Michigan Virtual Charter Academy
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash	\$ 12,171,697
Due from other governmental units	7,947,020
Prepaid items	135,934
Right to use assets - net of amortization	121,470
Capital assets - net of accumulated depreciation	<u>14,262</u>
 Total assets	 <u>20,390,383</u>
Liabilities	
Accounts payable	2,803,065
Accrued expenditures	1,975,148
Unearned revenue	763,506
Long-term liabilities	
Due within one year	98,345
Due in more than one year	<u>25,050</u>
 Total liabilities	 <u>5,665,114</u>
Net Position	
Net investment in capital assets	12,337
Unrestricted	<u>14,712,932</u>
 Total net position	 <u><u>\$ 14,725,269</u></u>

See Accompanying Notes to the Financial Statements

Michigan Virtual Charter Academy
Statement of Activities
For the Year Ended June 30, 2023

		<u>Program Revenues</u>	Net (Expense)
	<u>Expenses</u>	Operating Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs			
Governmental activities			
Instruction	\$ 18,353,393	\$ 4,629,597	\$ (13,723,796)
Supporting services	12,378,562	3,194,099	(9,184,463)
Community services	853,445	770,870	(82,575)
Interest and fiscal charges on long-term debt	<u>3,494</u>	<u>-</u>	<u>(3,494)</u>
Total governmental activities	<u>\$ 31,588,894</u>	<u>\$ 8,594,566</u>	<u>(22,994,328)</u>
General revenues			
State aid - unrestricted			26,847,784
Other			<u>173,716</u>
Total general revenues			<u>27,021,500</u>
Change in net position			4,027,172
Net position - beginning			<u>10,698,097</u>
Net position - ending			<u>\$ 14,725,269</u>

See Accompanying Notes to the Financial Statements

Michigan Virtual Charter Academy
Governmental Funds
Balance Sheet
June 30, 2023

	<u>General Fund</u>
Assets	
Cash	\$ 12,171,697
Due from other governmental units	7,947,020
Prepaid items	<u>135,934</u>
 Total assets	 <u>\$ 20,254,651</u>
Liabilities	
Accounts payable	\$ 2,803,065
Accrued expenditures	1,975,148
Unearned revenue	<u>763,506</u>
 Total liabilities	 <u>5,541,719</u>
Fund Balance	
Non-spendable	
Prepaid items	135,934
Assigned for sustainability planning	4,620,000
Unassigned	<u>9,956,998</u>
 Total fund balance	 <u>14,712,932</u>
 Total liabilities and fund balance	 <u><u>\$ 20,254,651</u></u>

See Accompanying Notes to the Financial Statements

Michigan Virtual Charter Academy
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2023

Total fund balances for governmental funds	\$ 14,712,932
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Total net position for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Right to use assets - net of amortization	121,470
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Capital assets - net of accumulated depreciation	14,262
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Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Other loans payable and liabilities	<u>(123,395)</u>
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Net position of governmental activities	<u>\$ 14,725,269</u>
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Michigan Virtual Charter Academy
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2023

	General Fund
Revenues	
Local sources	\$ 173,716
State sources	29,787,533
Federal sources	6,184,998
Interdistrict sources	49,428
	<u>36,195,675</u>
Total revenues	
Expenditures	
Current	
Education	
Instruction	18,298,053
Supporting services	12,341,242
Community services	850,867
Debt service	
Principal	93,974
Interest and other expenditures	3,494
	<u>31,587,630</u>
Total expenditures	
Net change in fund balance	4,608,045
Fund balance - beginning	<u>10,104,887</u>
Fund balance - ending	<u><u>\$ 14,712,932</u></u>

See Accompanying Notes to the Financial Statements

Michigan Virtual Charter Academy
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Net change in fund balance - Total governmental funds	\$ 4,608,045
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Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Operating grants	(579,609)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Depreciation and amortization expense	(95,238)
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Leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments of long-term debt	<u>93,974</u>
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Change in net position of governmental activities	<u>\$ 4,027,172</u>
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Michigan Virtual Charter Academy

Notes to the Financial Statements

June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Michigan Virtual Charter Academy (Academy) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Academy's significant accounting policies:

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On July 1, 2019, the Academy entered into a five-year contract with the School District of the City of Hazel Park to charter a public school academy which was subsequently extended through June 30, 2024. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State Constitution. The School District of the City of Hazel Park is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the School District of the City of Hazel Park three percent of the state aid foundation as administrative fees. The total administrative fees for the year ended June 30, 2023 to the School District of the City of Hazel Park was approximately \$803,849.

The Academy is governed by a Board of Directors. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Academy's reporting entity, and which organizations are legally separate component units of the Academy. The Academy has no component units.

Academy-wide Financial Statements

The Academy's basic financial statements include both Academy-wide (reporting for the Academy as a whole) and fund financial statements (reporting the Academy's major funds). The Academy-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the Academy's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Academy's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the Academy's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.). The Academy does not allocate indirect costs. In creating the Academy-wide financial statements the Academy has eliminated interfund transactions.

The Academy-wide focus is on the sustainability of the Academy as an entity and the change in the Academy's net position resulting from current year activities.

Michigan Virtual Charter Academy

Notes to the Financial Statements

June 30, 2023

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Academy reports the following major governmental fund:

General Fund - The General Fund is used to record the general operations of the Academy pertaining to education and those operations not required to be provided for in other funds.

The Academy does not have any non-major governmental funds.

Assets, Liabilities and Net Position or Fund Balance

Receivables and Payables - Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Academy-wide and fund financial statements.

Capital Assets - Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The Academy defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Academy does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Equipment and furniture

3 - 5 years

Long-term Obligations - In the academy-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the Academy’s fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Michigan Virtual Charter Academy

Notes to the Financial Statements

June 30, 2023

Fund Balance - In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable - amounts that are not available in a spendable form.

Restricted - amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Directors for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Directors.

Assigned - amounts intended to be used for specific purposes, as determined by the Board of Directors. The Board of Directors has granted the Head of School the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned - all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Academy's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the Academy's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

Upcoming Accounting and Reporting Changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful,

Michigan Virtual Charter Academy

Notes to the Financial Statements

June 30, 2023

understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

The Academy is evaluating the impact that the above pronouncement will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. The Academy is not considered in violation of the law if reasonable procedures are in use by the Academy to detect violations.

The Head of School is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Budgeted amounts are as originally adopted or as amended by the Board of Directors throughout the year.

Excess of Expenditures over Appropriations

During the year, the Academy incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Pupil	\$ 2,648,051	\$ 2,683,681	\$ 35,630
Operations and maintenance	103,755	104,984	1,229

Note 3 - Deposits and Investments

The Academy's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	<u>\$ 12,171,697</u>

The breakdown between deposits for the Academy is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 12,171,697</u>
--	----------------------

Interest rate risk - The Academy does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk - State statutes authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances,

Michigan Virtual Charter Academy
Notes to the Financial Statements
June 30, 2023

commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy has no investment policy that would further limit its investment choices.

Concentration of credit risk - The Academy has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year end, \$ 12,066,758 of the Academy's bank balance of \$ 12,316,758 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets being depreciated				
Equipment and furniture	\$ 107,956	\$ -	\$ -	\$ 107,956
Right to use asset - buildings and additions	<u>454,780</u>	<u>-</u>	<u>-</u>	<u>454,780</u>
Total capital assets being depreciated	<u>562,736</u>	<u>-</u>	<u>-</u>	<u>562,736</u>
Less accumulated depreciation for				
Equipment and furniture	87,338	6,356	-	93,694
Right to use asset - buildings and additions	<u>244,428</u>	<u>88,882</u>	<u>-</u>	<u>333,310</u>
Total accumulated depreciation	<u>331,766</u>	<u>95,238</u>	<u>-</u>	<u>427,004</u>
Net capital assets being depreciated	<u>230,970</u>	<u>(95,238)</u>	<u>-</u>	<u>135,732</u>
Net capital assets	<u>\$ 230,970</u>	<u>\$ (95,238)</u>	<u>\$ -</u>	<u>\$ 135,732</u>
Right to use assets				
Right to use assets - net of amortization	\$ 210,352	\$ (88,882)	\$ -	\$ 121,470
Capital assets				
Other capital assets, net of depreciation	<u>20,618</u>	<u>(6,356)</u>	<u>-</u>	<u>14,262</u>
Net capital assets	<u>\$ 230,970</u>	<u>\$ (95,238)</u>	<u>\$ -</u>	<u>\$ 135,732</u>

Depreciation expense of capital assets and amortization expense of right to use assets were charged to activities of the Academy as follows:

Governmental activities	
Instruction	\$ 55,340
Supporting services	37,320
Community services	<u>2,578</u>
Total governmental activities	<u>\$ 95,238</u>

Michigan Virtual Charter Academy
Notes to the Financial Statements
June 30, 2023

Note 5 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>\$ 763,506</u>
--	-------------------

Note 6 - Leases

During the 2020 fiscal year, the Academy entered into a 5 year lease agreement as lessee for the use of administrative office space. As of June 30, 2023, the value of the lease liability was \$123,395. The Academy is required to make monthly principal and interest payments ranging from \$ 7,971 and \$ 8,378. The lease has an interest rate of 2%. The value of the right-to-use asset as of the end of the current fiscal year was \$ 454,780 and had accumulated amortization of \$ 333,310.

	Principal	Interest
Year ending June 30,		
2024	\$ 98,345	\$ 1,574
2025	<u>25,050</u>	<u>84</u>
Total	<u>\$ 123,395</u>	<u>\$ 1,658</u>

Note 7 - Long-Term Debt

Long-term obligations include leases. Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities					
Leases	\$ 217,369	\$ -	\$ 93,974	\$ 123,395	\$ 98,345

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Academy has purchased commercial insurance for general liability, property and casualty. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

Note 9 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the Academy expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2023.

Note 10 - Management Services Agreement

The Academy has a management agreement with K12 Virtual Schools, LLC ("K12"). Under the terms of this agreement, K12 provides all personnel, including management. In addition, they provide curriculum and technology services. The agreement states that the Academy is obligated to pay K12 fourteen percent of its applicable revenues from state aid for its administrative services and seven percent of its applicable revenues from state aid for technology services. K12 is reimbursed for its direct costs as approved in the Academy's budget. The total cost of these purchased services amounted to \$ 5,629,016.

REQUIRED SUPPLEMENTARY INFORMATION

Michigan Virtual Charter Academy
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ -	\$ 123,657	\$ 173,716	\$ 50,059
State sources	31,525,312	29,782,491	29,787,533	5,042
Federal sources	5,180,182	5,797,600	6,184,998	387,398
Interdistrict sources	-	40,772	49,428	8,656
Total revenues	36,705,494	35,744,520	36,195,675	451,155
Expenditures				
Instruction				
Basic programs	17,014,619	14,696,744	14,502,944	(193,800)
Added needs	3,979,085	3,875,089	3,795,109	(79,980)
Supporting services				
Pupil	2,818,174	2,648,051	2,683,681	35,630
Instructional staff	2,587,004	2,495,273	2,485,226	(10,047)
General administration	5,091,763	4,806,731	4,718,551	(88,180)
School administration	482,787	391,537	362,392	(29,145)
Operations and maintenance	123,409	103,755	104,984	1,229
Central	2,074,011	2,009,616	1,986,408	(23,208)
Community services	1,042,719	881,229	850,867	(30,362)
Debt service				
Principal	93,974	93,974	93,974	-
Interest and fiscal charges	3,494	3,494	3,494	-
Total expenditures	35,311,039	32,005,493	31,587,630	(417,863)
Net change in fund balance	1,394,455	3,739,027	4,608,045	869,018
Fund balance - beginning	10,104,887	10,104,887	10,104,887	-
Fund balance - ending	\$ 11,499,342	\$ 13,843,914	\$ 14,712,932	\$ 869,018

Michigan Virtual Charter Academy

Single Audit

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the Board of Directors
Michigan Virtual Charter Academy
Hazel Park, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund information of Michigan Virtual Charter Academy as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Virtual Charter Academy's basic financial statements, and have issued our report thereon dated October 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Michigan Virtual Charter Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Michigan Virtual Charter Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Michigan Virtual Charter Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Virtual Charter Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Auburn Hills, MI
October 4, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the Board of Directors
Michigan Virtual Charter Academy
Hazel Park, MI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Michigan Virtual Charter Academy's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Michigan Virtual Charter Academy's major federal programs for the year ended June 30, 2023. Michigan Virtual Charter Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Michigan Virtual Charter Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Michigan Virtual Charter Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Michigan Virtual Charter Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Michigan Virtual Charter Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Michigan Virtual Charter Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Michigan Virtual Charter Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Michigan Virtual Charter Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Michigan Virtual Charter Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Michigan Virtual Charter Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and the major fund information of Michigan Virtual Charter Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Michigan Virtual Charter Academy's basic financial statements. We issued our report thereon dated October 4, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Auburn Hills, MI
October 4, 2023

Michigan Virtual Charter Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass through Grantor Program Title Grant Number	Federal Assistance Listing (AL) Number	Grant Number	Award Grant Entitlement Program Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Accrued (Unearned) Revenue at June 30, 2023
U.S. Department of Education								
Passed through the Michigan Department of Education								
Special Education Cluster (IDEA)								
Special Education - Grants to States	84.027	220450	\$ 1,043,625	\$ 910,051	\$ 141,050	\$ 128,265	\$ 267,690	\$ 1,625
Special Education - Grants to States	84.027	230450	1,003,273	-	-	821,949	622,584	199,365
COVID-19 - ARP Special Education - Grants to States	84.027X	221280	240,198	-	-	240,198	-	240,198
Total Special Education Cluster			2,287,096	910,051	141,050	1,190,412	890,274	441,188
Title I								
Passed through the Michigan Department of Education								
Title I Grants to Local Educational Agencies	84.010	221530	1,282,713	1,224,240	229,931	-	229,931	-
Title I Grants to Local Educational Agencies	84.010	231530	1,294,379	-	-	1,289,011	901,613	387,398
			2,577,092	1,224,240	229,931	1,289,011	1,131,544	387,398
Passed through the Oakland Intermediate School District								
Regional Assistance Grant	84.010	2021	34,960	8,137	5,852	-	5,852	-
Regional Assistance Grant	84.010	2022	187,347	28,645	28,645	-	28,645	-
Regional Assistance Grant	84.010	2023	38,555	-	-	38,555	31,918	6,637
			260,862	36,782	34,497	38,555	66,415	6,637
Total Title I			2,837,954	1,261,022	264,428	1,327,566	1,197,959	394,035

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Michigan Virtual Charter Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor Pass through Grantor Program Title Grant Number	Federal Assistance Listing (AL) Number	Grant Number	Award Grant Entitlement Program Amount	(Memo Only) Prior Year Expenditures	Accrued (Unearned) Revenue at July 1, 2022	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Accrued (Unearned) Revenue at June 30, 2023
Passed through the Oakland Intermediate School District								
Title III English Language Acquisition State Grants	84.365	210580-2022	\$ 8,303	\$ 4,025	\$ 4,025	\$ -	\$ -	\$ 4,025
Title III English Language Acquisition State Grants	84.365	210580-2023	6,227	-	-	4,968	-	4,968
Total Title III English Language Acquisition State Grants			14,530	4,025	4,025	4,968	-	8,993
Passed through the Michigan Department of Education								
Title IIA Supporting Effective Instruction State Grant	84.367	220520	314,502	175,642	20,199	819	21,018	-
Title IIA Supporting Effective Instruction State Grant	84.367	230520	286,081	-	-	229,767	91,055	138,712
Total Title IIA Supporting Effective Instruction State Grant			600,583	175,642	20,199	230,586	112,073	138,712
Passed through the Michigan Department of Education								
Title IV Student Support and Academic Enrichment Program	84.424	220750	170,940	116,126	53,013	-	53,013	-
Title IV Student Support and Academic Enrichment Program	84.424	230750	140,847	-	-	100,530	121,171	(20,641)
Total Title IV Student Support and Academic Enrichment Program			311,787	116,126	53,013	100,530	174,184	(20,641)
Passed through the Michigan Department of Education								
Education Stabilization Funds								
COVID-19 - ESSER Formula I	84.425D	203710	967,078	387,819	27,884	36,398	64,282	-
COVID-19 - ESSER Formula II	84.425D	213712	3,710,209	1,409,689	499,557	2,168,975	1,580,483	1,088,049
COVID-19 - ESSER Formula II - Benchmark Assessments	84.425D	213762	20,038	20,038	20,038	-	20,038	-
			4,697,325	1,817,546	547,479	2,205,373	1,664,803	1,088,049
COVID-19 - ESSER Formula III	84.425U	213713	8,338,528	50,363	50,363	556,075	198,876	407,562
COVID-19 - ARP Homeless II	84.425W	211012	36,676	-	-	131	-	131
Total Education Stabilization Funds			13,072,529	1,867,909	597,842	2,761,579	1,863,679	1,495,742
Total U.S. Department of Education			19,124,479	4,334,775	1,080,557	5,615,641	4,238,169	2,458,029
Total Federal Awards			\$ 19,124,479	\$ 4,334,775	\$ 1,080,557	\$ 5,615,641	\$ 4,238,169	\$ 2,458,029

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Michigan Virtual Charter Academy
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Michigan Virtual Charter Academy under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Michigan Virtual Charter Academy, it is not intended to and does not present the financial position or changes in financial position of Michigan Virtual Charter Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Michigan Virtual Charter Academy has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Federal expenditures per the Schedule of Federal Awards	\$ 5,615,641
Prior year unavailable revenue recognized in the current year	<u>569,357</u>
Federal revenue per the financial statements	<u>\$ 6,184,998</u>

Michigan Virtual Charter Academy
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 4 - Michigan Department of Education Disclosures

Management has reported the expenditures in the Schedule equal to those amounts reported in the annual or final cost reports that have been submitted for that particular grant year.

The federal amounts reported on the Grant Auditor Report (GAR) are in agreement with the Schedule, except for the following payments, which were disbursed by June 30, 2023, per the GAR, but not received by the Academy until after year end.

AL #	Grant #	Per GAR	Per SEFA	Difference
84.010	231530	\$ 1,141,088	\$ 901,613	\$ 239,475
84.367	230520	193,166	91,055	102,111
84.425D	213712	2,293,967	1,580,483	713,484
84.425U	213713	260,270	198,876	61,394

Note 5 - Subrecipients

No amounts were provided to subrecipients.

Note 6 - Adjustments

Expense reimbursements for AL # 84.424, grant # 230750, were overdrawn during the year in the amount of \$20,641, due to a current year adjustment near year end. This amount overdrawn was subsequently reduced from payments received after year end. As of June 30, 2023, the Schedule reports unearned federal revenues of \$20,641.

Michigan Virtual Charter Academy
Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles:
Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|--------------|---------------|
| • Material weakness(es) identified? | _____ | yes | <u> X </u> | no |
| • Significant deficiency(ies) identified? | _____ | yes | <u> X </u> | none reported |
| Noncompliance material to financial statements noted? | _____ | yes | <u> X </u> | no |

Federal Awards

Internal control over major federal programs:

- | | | | | |
|---|-------|-----|--------------|---------------|
| • Material weakness(es) identified? | _____ | yes | <u> X </u> | no |
| • Significant deficiency(ies) identified? | _____ | yes | <u> X </u> | none reported |

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	<u> X </u>	no
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Identification of major federal programs:

Assistance Listing Number(s)

84.027 / 84.027X
84.425D / 84.425U / 84.425W

Name of Federal Program or Cluster

Special Education Cluster
Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	<u> X </u>	yes	_____	no
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Michigan Virtual Charter Academy
Schedule of Findings and Questioned Costs
June 30, 2023

Section II – *Government Auditing Standards* Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2023.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023.

Michigan Virtual Charter Academy
Summary Schedule of Prior Audit Findings
June 30, 2023

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

October 4, 2023

Management and the Board of Directors
Michigan Virtual Charter Academy
Hazel Park, Michigan

We have audited the financial statements of the governmental activities and the major fund information of Michigan Virtual Charter Academy (the Academy) as of and for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

We discussed these matters with various personnel in the Academy during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in the footnotes of the financial statements. The Academy has adopted the following Governmental Accounting Standards Board Statement effective July 1, 2022:

- Statement No. 96, *Subscription-Based Information Technology Arrangements* is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

We noted no transactions entered into by the Academy during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Academy's financial statements were:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Right of use assets and lease liabilities. The estimate is based on management's assessment of the likelihood of exercising renewal options and utilizing reasonable interest and discount rates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

A significant risk is an identified and assessed risk of material misstatement that, in the auditors' professional judgment, requires special audit consideration. Within our audit, we focused on the following areas.

- Management override of controls
- Improper revenue recognition
- Information technology controls
- Use of management company
- Implementation of new accounting standard

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Implementation Guide No 2021-1, *Implementation Guidance Update-2021* has an amended response related to the capitalization of assets purchased as a group. Under the amended guidance, governments *should* capitalize individual items when the purchase in the aggregate is considered significant, even if the individual items are less than the capitalization threshold of the government. The effective date for implementation is for reporting periods beginning after June 15, 2023 (effectively, for the first year ended June 30, 2024 or later) and requires retroactive implementation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of management, the Board of Directors, and others within the Academy, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Auburn Hills, Michigan